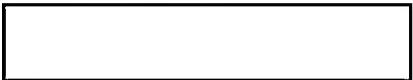


TOP SECRET

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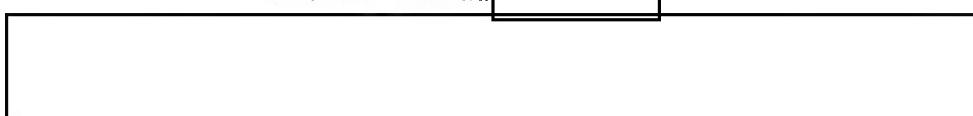
6 April 1954

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DOS review(s) completed.

TOP SECRET

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GENERAL

1. Communists may bring up status of Laos and Cambodia at Geneva:

25X1A



The Communists may be planning to discuss the status of Laos and Cambodia at Geneva, [redacted]

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Viet

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Minh propaganda is giving heavy play to the unity among the "democratic governments" of Indochina, and states that the revolution, instead of being depicted as affecting only Vietnam, is being portrayed as primarily Indochinese.

[redacted] this show of solidarity 25X1
can only strengthen the Communist position in view of the undeniable division of purpose among French Union members.

Comment: The Viet Minh has for several years sponsored dissident groups in Laos and Cambodia and referred to them as "governments." Neither Moscow nor Peiping has recognized these "governments," but they may demand that spokesmen of these groups take part in the Geneva conference.

2.

25X1

[redacted] 25X1

3. USSR reported pressing Afghanistan to accept aid:

25X1A [redacted]

The Soviet embassy in Kabul has been pressing Afghanistan to accept "fantastically large" economic and technical aid, according to the Afghan deputy foreign minister. He implied that Foreign Minister Naim is greatly worried and is seeking ways to postpone Afghanistan's reply.

Comment: Moscow is apparently trying to make sure that Afghanistan will not join in Middle East defense planning, and to counteract the effects of Pakistan's participation.

This Soviet "offer" to Afghanistan may presage similar pressure on Iran and other Middle Eastern states. Soviet offers of economic and technical aid could also be used by Moscow as concrete evidence of its "peaceful intentions" in contrast to Western military planning in the area.

Afghanistan signed an agreement with the USSR in January providing for a \$3,500,000 credit and Soviet technical assistance for grain processing and storage.

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SOVIET UNION

4. [redacted]

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SOUTHEAST ASIA

6. French ask American air intervention at Dien Bien Phu:

25X1A

[REDACTED]

General Navarre has reported to Paris that the situation at Dien Bien Phu is now in a state of 'precarious equilibrium.' The Viet Minh is bringing up its last available reinforcements, which will far outnumber any fresh troops the French can drop in by parachute. He believes that a renewal of the assault by reinforced Viet Minh forces is probable by the middle or end of the week.

French foreign minister Bidault on 4 April asked Ambassador Dillon for American air intervention at Dien Bien Phu. At the same time, Bidault told the ambassador that the chief of the French air staff believed such American action could lead to Chinese air attacks on delta airfields.

The foreign minister further said that the fate of Southeast Asia and that of the Geneva conference now depend on the outcome at Dien Bien Phu.

SOUTH ASIA

7. Ceylon cabinet considers scrapping trade agreement with Peiping:

25X1A

[REDACTED]

The Ceylonese cabinet has been discussing the possibility of scrapping Ceylon's five-year rubber-rice barter agreement with Communist China, according to Agriculture Minister J. R. Jayewardene. He told the American ambassador on 2 April that Ceylon cannot consume or sell all the rice it receives from China in return for its rubber shipments, and that the present surplus of 50,000 tons is not marketable at home or abroad.

Jayewardene added, however, that the deal with China was still profitable in view of the high price Ceylon obtained for rubber, and he hoped that the United States would help Ceylon "materially" if the agreement were abrogated.

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Comment: The agriculture minister's comments are an open invitation for an American offer of economic assistance in return for Ceylon's abandonment of the agreement with China, now in its second year. World rice surpluses and Ceylon's improved food situation make this agreement less attractive, and may lead the Ceylonese to try to drive a harder bargain in their annual price negotiations with Peiping this fall.

The drawbacks apparently are not yet serious enough, however, to alter Ceylon's contention that the United States must make up most of the difference--\$17,000,000 in 1953--between the world price of rubber and the price paid by Peiping if the deal is to be scrapped completely.

NEAR EAST - AFRICA

8. Mounting Israeli belligerency increases chances of serious conflict:

25X1A

Consul General Tyler reports from Jerusalem that Israel's belligerency and tendency to retaliate against the Arab states have increased dangerously since 1952. He states that the British, who are usually well informed, are sufficiently concerned to be registering their subjects. Tyler believes that if there is another incident in which an Israeli is killed, Tel Aviv will probably retaliate as it did at Nahhalin.

Comment: With the Arab Legion alert on the border, a confused incident, where responsibility cannot be quickly determined, may result in hostilities on a larger scale. Sharett thus may not have enough time to prove the effectiveness of his moderate policy toward the Arab states.

WESTERN EUROPE

9. French sources see Juin's dismissal as severe setback for EDC:

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The French government's disciplining of Marshal Juin will cause a severe setback for EDC, [redacted]

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[redacted] French veterans
and the general public will now show a much stronger anti-EDC attitude.

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[redacted] General de Gaulle pressed Juin recently to act
as a rallying point for French nationalists.

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[redacted] some members of parliament are already discussing the
possibility of having a senator or deputy vacate his seat so as to give
Juin an elected office in which he could make antigovernment speeches
freely.

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[redacted]

Comment: Press reaction to the assault
on Premier Laniel and Defense Minister Pleven in Paris on 4 April
suggests that public opinion is rallying to the support of the government
against the political agitation of military leaders. Suspicion of the
marshal's political ambitions can be expected to temper any endorsement
in the assembly of his all-out opposition to EDC.

As a result of his dismissal, Juin may be
more susceptible to urgings that he attempt a coup. It is quite unlikely,
however, that he could obtain sufficient support to overthrow the govern-
ment.

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